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Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)

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Report of the Secretary-General

Summary

Since the 2005 World Summit, the United Nations Human Settlements Programme (UN-Habitat) has been realigning its work in order to provide Member States with a more integrated and cohesive approach to monitoring, policy development, capacity-building and the mobilization of financial resources in support of the implementation of the Habitat Agenda, the Declaration on Cities and Other Human Settlements in the New Millennium, and the human settlements-related targets of the Millennium Development Goals. Special attention has been paid to targets 10 and 11 of Goal 7, which call for the reduction by half the proportion of people without sustainable access to safe drinking water by 2015 and the achievement of significant improvement in the lives of at least 100 million slum-dwellers by 2020, and paragraph 56 (m) of the 2005 World Summit Outcome (General Assembly resolution 60/1) which recognize the urgent need of increased resources for affordable housing and infrastructure, prioritizing slum prevention and upgrading.

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The *State of the World's Cities* report for 2006-2007 provided, for the first time, concrete evidence that the rapidly growing urban poor are, in many cases, worse off than their rural counterparts in terms of health, nutrition, HIV/AIDS and other diseases. The report provided further data and figures that prove that, in most rapidly urbanizing countries and regions, the rate of slum formation is almost the same as the rate of urban growth, and that by 2007, when more than half of the world's population will live in cities, one in every three will be living in life-threatening slum conditions.

These and other findings have provided the backdrop for regional and global consultations, such as the yearly Assembly of Ministers and High-level Authorities of the Housing and Urban Development Sector in Latin America and the Caribbean, the special session of the African Ministerial Conference on Housing and Urban Development devoted to the attainment of the Millennium Development Goals, and the third session of the World Urban Forum, which was attended by some 10,000 people from more than 100 countries. The consultations have also prompted UN-Habitat to accelerate its efforts to mainstream the urban poverty agenda and to seek innovative ways and means to assist Member States in developing effective policies and strategies to improve the living conditions of slum-dwellers and to prevent the future growth of slums. These efforts increasingly combine new normative standards and regulations, capacity-building and financial mobilization activities as pre-investment packages designed to leverage domestic and international finance in pro-poor gender-sensitive water and sanitation, slum upgrading, affordable housing and urban development.

While considerable progress has been made in raising awareness at the global and regional levels and in forging strategic partnerships with international and regional financial institutions to scale up efforts at the country level in slum upgrading and pro-poor water and sanitation, there is an urgent need for Governments to accord priority to integrating slum upgrading and slum prevention within national budgetary allocations, poverty reduction strategies and development assistance frameworks.

I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 60/203 of 22 December 2005 entitled Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and the strengthening of the United Nations Human Settlements Programme (UN-Habitat), in which the Assembly requested the Secretary-General to submit a report to the Assembly at its sixty-first session on the implementation of that resolution.

II. The need for a concerted approach to meeting the challenges of rapid urbanization

A. The urbanization of poverty and social exclusion

2. The *State of the World's Cities* report for 2006-2007 provided evidence of several emerging trends that will have a profound effect on the implementation of the Habitat Agenda, the Millennium Development Goals, in particular the attainment of targets 10 and 11 of Goal 7, and relevant paragraphs of the 2005 World Summit Outcome [1] The report highlights the plight of the urban poor against the backdrop of a key turning point in human development: by 2007, more people will live in cities than in rural areas for the first time in human history. In some regions, the rate of slum formation is nearly identical to the rate of urban growth. Globally, the slum population is set to grow at a rate of 27 million people per year during the period 2000-2020. In many sub-Saharan African cities, the slum population already accounts for over 70 per cent of the urban population, while slums in southern and western Asia are growing as fast as the urban population in general. One major finding of the report was that the growing number of people living in slums will live in worse living conditions than those experienced by people living in rural areas. Another trend is that, despite the emergence of mega-cities of 10 million people and more, the majority of urban migrants will be moving to small towns and cities of less than 1 million inhabitants. Already, more than half of the world's urban population lives in cities of fewer than 500,000 inhabitants. These intermediate cities are expected to grow at a faster rate than any other type of city. Another major finding is that natural population increase, rather than rural-to-urban migration, is contributing more to urban growth in many regions. However, the relative absence of infrastructure, such as roads and water supply and communication facilities in many small and intermediate cities leads to a lower quality of life for their inhabitants.

3. The report reveals that, in several least developed countries and countries undergoing rapid urbanization, child malnutrition in slums is comparable to that of rural areas. In many sub-Saharan African cities, which are experiencing the fastest rate of urban growth, children living in slums are more likely to die from waterborne and respiratory illnesses than rural children. The report furthermore pointed to the trend that women living in slums are more likely to contract HIV/AIDS than their rural counterparts, and that in some countries the prevalence of HIV/AIDS among urban populations is almost twice that of rural populations. Furthermore, in all developing regions, slum-dwellers are more likely to die earlier,

[1] General Assembly resolution 60/1

experience more hunger and disease, receive less education and have fewer chances of employment than urban residents who do not live in slums.

4. The role and contribution of central government is a key factor in a country's performance in reaching slum targets. Many countries doing well in managing slum growth tend to do so through concerted, intersectoral central government policies and interventions to ensure cohesiveness in the design and implementation of slum upgrading initiatives at the local level. A critical contributing factor appears to be the role of central government in adopting and promulgating pro-poor urban policies and legislation, including important budget allocations, to tackle basic shelter deprivations. In countries such as Brazil, Egypt, Mexico, South Africa, Thailand and Tunisia, the implementation of inclusive policies, land reforms and regularization programmes and a commitment to improve the lives of the urban poor were key factors in the success of slum upgrading or prevention programmes. Those countries developed specific slum upgrading and prevention policies as an integral part of national poverty reduction policies and strategies, not only to respond to social imperatives, but also to promote national economic development. Central governments in those countries have played a critical role, not just in the physical improvement of slums, but also in ensuring that parallel investments are made in other sectors, such as education, health, sanitation and transport, which have benefited slum communities and the entire population.

5. The report also clearly shows that not all countries struggling to cope with high slum growth rates have shied away from a commitment to change. Some sub-Saharan African countries, namely Burkina Faso, Senegal and the United Republic of Tanzania, have in recent years shown promising signs of growing political support for slum upgrading and prevention that includes reforms in policies governing land and housing.

6. Several low or middle-income countries that are starting to stabilize or reverse slum growth rates, such as Colombia, El Salvador, Indonesia, Myanmar, the Philippines and Sri Lanka, did not wait to achieve important milestones in economic growth before addressing the needs of slum-dwellers. They have managed to stem slum formation by anticipating and planning for growing urban populations, expanding economic and employment opportunities for the urban poor, investing in low-cost, affordable housing for the most vulnerable groups, and instituting pro-poor reforms and policies that facilitate access to services by the urban poor. These countries give hope and direction to other low-income countries by showing that it is possible to prevent slum formation with the right policies and practices, irrespective of the level of national wealth.

7. UN-Habitat also reported for the first time on the performance of more than 100 countries with regards to progress in attaining target 11 of Millennium Development Goal 7 on improving the living conditions of slum-dwellers. An analysis of indicators and best practices in slum upgrading revealed that countries that have successfully reduced slum growth rates, slum proportions and slum populations since the adoption of the Habitat Agenda in 1996 share many attributes. They include long-term political commitment to slum upgrading and prevention involving pro-poor land and housing reforms to improve the tenure status of slum-dwellers and to improve their access to basic services. Most countries used domestic resources to scale up slum improvements and prevent future slum growth. A significant number of countries implemented economic policies that emphasized

equity with growth. In many instances, focused interventions through a single entry point, such as pro-poor water and sanitation, provided the impetus for achieving a significant improvement in living conditions and in slum reduction.

8. The above findings clearly indicate that slum formation is neither inevitable nor acceptable. "Running the poor out of town" through evictions or discriminatory practices is not the answer. Helping the urban poor to integrate into the fabric of urban society is the only long-lasting and sustainable solution to the growing urbanization of poverty. As the developing world becomes more urban and as the locus of poverty shifts to cities, the battle to achieve the Millennium Development Goals will have to be waged in the world's slums.

9. The above observation has compelled UN-Habitat to adopt a more comprehensive and results-based approach to mobilize, guide and coordinate more effective and cohesive responses to the urbanization of poverty and social exclusion at the national and international levels. The objectives of the approach are to mainstream urbanization and the urban poverty agenda at the global and national levels; strengthen the capacity of national Governments and local authorities to adopt and implement pro-poor gender-sensitive and environmentally sound slum upgrading and water and sanitation policies and strategies; promote innovative financing mechanisms for pro-poor housing and urban development to help prevent the future growth of slums; contribute to more sustainable post-disaster reconstruction; and strengthen results-based management and budget structure to ensure greater efficiency, accountability and transparency in programme delivery.

III. Progress in programme implementation

A. Mainstreaming urbanization and the urban poverty agenda at the global and national levels

Establishing local, national and regional urban observatories

10. A key challenge facing the monitoring and implementation of the Habitat Agenda is the scarcity of disaggregated data at the urban and suburban levels, especially in rapidly urbanizing countries. Conventional data collection and national-level reporting methods tend to obfuscate the true extent of urban poverty and slum formation, resulting in low priority being accorded to urban development and urban poverty reduction in national development plans and international assistance strategies. This situation has led UN-Habitat to mainstream the collection and analysis of disaggregated urban data at the global level and to strengthen national and local capacities to do so.

11. UN-Habitat has continued to assist cities and national authorities with the setting up of their own urban monitoring systems by creating local and national urban observatories that support the formulation, management and monitoring of urban development strategies and programmes. Local and national observatories compile and analyse urban indicators and best practices to report on progress towards achieving target 11 of Millennium Development Goal 7 on improving the lives of slum-dwellers.

12. Working with local and national observatories, UN-Habitat produced an updated version of a global urban database, containing information collected in

more than 80 countries and 300 cities across the world. For the first time, data were disaggregated beyond the conventional urban-rural dichotomy, producing information on urban slum and non-slum residents for human settlements-related indicators for the Millennium Development Goals.

13. Another important component of monitoring is the documentation and dissemination of best practices and lessons learned. The first call for best practices was launched during preparations for the second United Nations Conference on Human Settlements (Habitat II) as a means of identifying successful initiatives in improving living conditions on a sustainable basis. As a result of six successive award cycles from 1996 to 2006, over 2,700 good and best practices from 140 countries featured in the best practices database.

14. Over the years, a cross section of development partners, including the United Nations, have used this unique knowledge base for a wide variety of applications, including case studies for training and advocacy, matching supply with demand for peer learning and city-to-city cooperation, and reference material for policy review and development. Increasingly, researchers and data analysts have used the best practices database as the empirical base for validating or questioning hard data findings. Examples include an analysis of the database to illustrate and further validate consistent performance on indicators related to slum upgrading and prevention and to provide insights into how improvements were achieved.

15. Starting in 2006, the reporting format for best practice submissions includes a rubric on the supporting policy environment. The information can be used for monitoring policies and legislation as a complement to the data collected by the urban observatories. A methodology for the rapid assessment of pro-poor gender-sensitive policies and legislation has also been developed and tested in nine pilot countries.

16. Major strategic partnerships have been established at the global and national levels in the monitoring of slum formation, urban poverty and deprivation, as well as in assessing gender issues in water and sanitation. Key partners at the global level include the Department for International Development of the United Kingdom of Great Britain and Northern Ireland, the United States Agency for International Development, the World Bank, the Cities Alliance initiative, the Statistics Division of the United Nations Department of Economic and Social Affairs, the United Nations Population Fund and the United Nations Children's Fund (UNICEF).

17. A further step was taken in 2006 in mainstreaming gender considerations in the areas of pro-poor water and sanitation through rapid gender assessments in 18 countries in Africa and Asia. At the fourth World Water Forum, UN-Habitat presented the second edition of its global report on *Water and Sanitation in the World's Cities*, which focused on the specific needs of secondary towns in developing countries where urban growth rates are among the most rapid in the world.

Regional consultative initiatives

18. During the reporting period, UN-Habitat continued to work closely with regional consultative initiatives. In Latin America and the Caribbean, UN-Habitat supports the work of the Assembly of Ministers and High-level Authorities of the Housing and Urban Development Sector, an instrument for regional cooperation and

capacity-building at the local level. That experience was instrumental in initiating the launching of a similar body in Africa, the African Ministerial Conference on Housing and Urban Development, established at a founding conference in Durban, South Africa, in February 2005. These inter-ministerial organs serve as standing consultative mechanisms to promote sustainable human settlements development at the regional level.

19. In the past two years, the African Ministerial Conference on Housing and Urban Development has played a prominent role in coordinating an African position in global forums and also in increasing the momentum for achieving the Millennium Development Goals relating to human settlements. A special session of the Conference, on the theme "Achieving the Millennium Development Goals in Africa: strategies for the realization of the World Summit commitments on slums", was held in Nairobi in April 2006. It was convened by the Minister of Housing of South Africa and hosted by the Government of Kenya, with the support of UN-Habitat. The main aims were to develop a common framework for slum upgrading and prevention and to consider ways of improving policy formulation to address the challenge of housing and urban management in Africa.

20. In a parallel effort to consolidate consultative processes, a memorandum of understanding was signed with the Government of India in May 2006 for hosting the first Asia-Pacific ministerial conference on housing and urban development in December 2006. In addition to addressing the challenges and strategies for enhancing the achievement of the Habitat Agenda, it is expected that the conference will lead to the establishment of a standing ministerial consultative organ for the region.

21. UN-Habitat continued to work closely with local authorities at the global and regional levels in establishing consultative organs and developing and implementing action programmes related to the Habitat Agenda. It has signed a cooperation agreement with United Cities and Local Governments, the global organ of local authorities, and outlined various areas of collaborative work. It has also been working closely with the African chapter of United Cities and Local Governments in enhancing the competence of its members in leadership and management and in convening a triennium summit of local government stakeholders known as Africities.

22. The Programme has also increased its participation in specialized global and regional consultative forums to promote the Habitat Agenda. Examples include its collaboration with the Commission for Africa and the Commission on Social Determinants of Health, established by the World Health Organization.

Third session of the World Urban Forum

23. The most prominent consultative forum for UN-Habitat at the global level is the World Urban Forum, a biennial gathering that provides for the effective participation of non-governmental and community-based organizations, urban professionals, academics, Governments, private sectors, local authorities and their national and international associations. The third session of the Forum was held in Vancouver, Canada, from 19 to 23 June 2006. Compared to previous sessions, there was a notable increase in private sector participation.

24. With some 10,000 participants from over 100 countries, the third session of the Forum provided new impetus to an international urban agenda in a world of rapidly growing cities. Just as the first United Nations Conference on Human Settlements (Habitat I) in 1976 put local community concerns on the international agenda and highlighted the critical importance of inclusiveness, the third session of the World Urban Forum, 30 years later, lived up to its promise of turning ideas into action. The session reflected inclusiveness, as seen by the balanced participation of public, private and civil society sectors.

25. The quest for innovative ideas and practical solutions was emphasized in the six dialogues, 13 round tables and more than 160 networking events. Ministers, mayors, academics, non-governmental organizations and the private sector shared their insights and experiences on how to improve the quality of life in the world's growing cities.

26. Every participant was committed to the basic theme of the Forum, "Our future sustainable cities — turning ideas into action". The hundreds of ideas for action proposed, described and exchanged will provide the basis for renewed vigour and commitment to the implementation of the Habitat Agenda and the Millennium Development Goals. Highlights of the Forum included:

(a) **Coming to terms with the urban age**. A new message resonated from Vancouver: urban issues have become a major challenge of our time. The urban population of developing countries is set to double from 2 to 4 billion in the next 30 years. Ensuring that those people do not end up in slums requires the planning, financing and servicing of the equivalent of a new city of more than 1 million people every week during that period. The provision of decent shelter and basic services should be viewed as an investment in national socio-economic development.

(b) **From exclusion to engagement**. All partners showed a willingness to build effective coalitions to address the needs of the urban poor. The Forum witnessed a dramatic shift in the willingness of Governments and local authorities to engage with all urban actors to improve the quality of life of people, their communities and cities. In several keynote addresses and in various dialogues, the Governments represented showed a keen interest in being actively engaged with civil society organizations and their representatives in supporting initiatives that improve the living conditions of the poorest and most vulnerable groups, as well as the urban environment. That willingness to engage all urban actors to drive the process of urban renewal and poverty alleviation reflects a change in government attitudes, moving beyond participation to the concepts of inclusiveness, empowerment and active engagement with citizens.

(c) **Meeting the financing challenge of slum upgrading and sustainable infrastructure development**. The Forum recognized the critical need for increased financial resources to attain the slum upgrading target of the Millennium Declaration. It further recognized that the challenge was to shift from international development finance to local capital markets. The Forum acknowledged the need for international donors to play the role of catalyst in building the capacity and improving the creditworthiness of cities, and to package such assistance with seed capital, as piloted by the United Nations Habitat and Human Settlements Foundation and its Slum Upgrading Facility, in line with paragraph 56 (m) of the 2005 World

Summit Outcome which calls for investments in pro-poor housing and urban infrastructure.

(d) **Re-inventing planning: applying new paradigms for sustainable urban development**. The Forum placed great emphasis on planning as a tool for urban development and environmental management, and as a means of preventing future slum growth. That view was accepted by government officials and urban planners and also by civil society groups, which wanted planning to be more inclusive, transparent and ethical. The Forum stressed the important role of planners as agents of change and underlined the importance of sustainability as the backbone of new forms of planning.

27. At its closing meeting, the Forum welcomed the offer by the Government of China and the City of Nanjing to host the fourth session of the World Urban Forum in 2008.

B. Strengthening the capacity of Governments and local authorities to adopt and implement pro-poor gender-sensitive and environmentally sound slum upgrading and water and sanitation policies and strategies

Coordination within the United Nations Development Assistance Framework and common country assessments

28. UN-Habitat strengthened the coordination of its activities at the country level by appointing Habitat Programme Managers, who work closely with the offices of the United Nations Development Programme (UNDP) and with United Nations country teams. To date, Managers have been assigned to 32 countries to help national Governments to mainstream shelter, slum challenges and issues of sustainable urban development in the United Nations Development Assistance Framework, the common country assessments and poverty reduction strategy papers. An evaluation of the Managers is currently being undertaken to seek ways and means to increase the effectiveness and impact of the Programme at the country level. A key issue to be addressed is the predominantly sectoral and spatially fragmented approach of the international community in supporting the efforts of countries in attaining the internationally agreed development goals. That approach is largely inimical to the holistic solutions required to reduce urban poverty, improve living conditions in slums and prevent the future formation of slums.

Slum Upgrading Facility

29. Financing affordable housing and urban development remains one of the major stumbling blocks for rapidly urbanizing countries. In its resolution 60/1, paragraph 56 (m), the General Assembly specifically highlighted the catalytic role of the United Nations Habitat and Human Settlements Foundation. The Slum Upgrading Facility and the Water and Sanitation Trust Fund are used in many developing countries to develop and apply innovative approaches and financial instruments to support public expenditure in pro-poor housing, urban development and water and sanitation with domestic capital, loans and microcredit facilities. Both the Trust Fund and the Facility combine the cross-cutting mandate and core competencies of

UN-Habitat in human settlements planning and management with the sectoral mandates and financing capacities of international financial institutions.

30. One key challenge in slum upgrading and the prevention of the slum formation is posed by the perception of risk that the private sector feels in investing in pro-poor housing and urban development. Further progress has been made on the development of the Slum Upgrading Facility, as reported in 2005. The Facility combines the technical expertise, convening power and confidence-building abilities of UN-Habitat to forge framework agreements among private sector banking and non-banking financial institutions, community-based microcredit facilities, central and local governments and urban poor communities to engage in slum upgrading and to increase the supply of affordable housing for low-income groups. Ghana, Indonesia, Sri Lanka and the United Republic of Tanzania have been selected for the 2005-2008 pilot phase, while pipeline and consultative activities continue in Kenya and Uganda. In Ghana, design work has been undertaken with the HFC Bank of Ghana in establishing targeted low-income housing finance products that would work in conjunction with specific upgrading projects being designed with metropolitan authorities. In Indonesia, the cities of Jakarta and Yogyakarta have spearheaded projects for upgrading slums that involve civil society organizations and the slum-dwellers themselves. In Sri Lanka, partnership arrangements between slum-dwellers' federations and city authorities have produced several land-sharing projects that will attract private sector financing. In the United Republic of Tanzania, the Tanzanian Women's Land Access Trust has developed innovative financing strategies in the development of new low-income housing, with the assistance of the local government. In Kenya, a partnership between UN-Habitat, the Government of Kenya and its municipalities has established working arrangements to test methodologies of slum upgrading that have been developed in close collaboration with the World Bank, the Cities Alliance, and the Private Infrastructure Development Group and domestic financial institutions.

31. UN-Habitat has continued throughout 2006 to strengthen its collaboration with multilateral partners to provide technical cooperation and capacity-building services to 30 countries in Africa and in Arab States. The Urban Development Programme for the Somali region, which is funded by the European Commission and led by UN-Habitat in partnership with the United Nations Association, the International Labour Organization, the Netherlands Organization for International Development Cooperation and UNICEF, is a good example of collaboration to field-test innovative policies. In Chad, a sizeable programme involving $13 million is being implemented, funded through the petroleum revenues managed by the World Bank and the Government. It aims to improve access to housing and basic services in low-income areas and to provide capacity-building to different stakeholders. UN-Habitat is also currently supporting cities in 10 African countries to implement city development strategies and slum upgrading projects through the Cities Alliance. Rapid urban sector profiling for sustainability, conducted in over 25 countries with the financial support of Italy, Belgium and the Netherlands, is another partnership developed by UN-Habitat and the European Commission.

32. In the Asia-Pacific region, UN-Habitat has increasingly diversified its portfolio of operational projects on pro-poor human settlements with regard to sources of funding. In 1997, 95 per cent of the portfolio was funded by UNDP, dropping to less than 20 per cent by the end of 2005. UN-Habitat has mobilized resources from a range of multilateral and bilateral sources, such as the World Bank,

the European Commission, USAID, the Canadian International Development Agency, the Japan Bank for International Cooperation, the United Arab Emirates and Italy. Less conventional sources have also been found: the International Federation of Red Cross and Red Crescent Societies, cities such as Munich and Vitoria-Gasteiz, and private enterprises, such as BASF, Knorr-Bremse and Bovis Lend Lease.

33. In Latin America and the Caribbean, UN-Habitat has long cooperated with the World Bank and bilateral agencies in the joint design and implementation of pro-poor settlement upgrading projects through the Cities Alliance. Collaborative activities have been conducted in countries such as Brazil, Chile, Ecuador and Haiti. Project funding has also been mobilized through other World Bank facilities for the formulation of pro-poor housing sectoral policies and strategies in Colombia. Joint missions and assessments leading to the formulation of credit are regularly carried out with the Inter-American Development Bank.

Global Land Tool Network

34. The Habitat Agenda identifies land tenure as a critical area in which more enabling policies and rights-based legislation are required to meet the housing and basic needs of the poor. Meanwhile, UN-Habitat has continued to work on the progressive realization of housing as a human right in collaboration with the Office of the United Nations High Commissioner for Human Rights and various non-governmental and civil society organizations. In 2005, it supported a major new development, namely, the establishment of the Global Land Tool Network, to strengthen the capacity of Governments and local authorities to adopt and apply pro-poor, gender-sensitive land tools for slum upgrading and prevention. The Network represents a collaborative effort of multilateral institutions, including the World Bank, the Food and Agriculture Organization of the United Nations and the regional commissions, with bilateral donor agencies, research organizations and professional associations.

35. Key areas of focus include land taxation, land information and land administration, management and planning. Policy guidelines have been produced based on the analysis of land law reform and property administration issues in selected countries in Africa, the Balkan States, Latin America and countries where Islamic land law is practised. Pioneering work was undertaken by the Network in the area of women's property, land and inheritance rights, which are of particular relevance to Millennium Development Goal 3, to promote gender equality and empower women; and paragraph 58 (b) of the 2005 World Summit Outcome, on women's property and inheritance rights. High-profile multi-stakeholder meetings were held in Africa, in Arab States and in the Commonwealth of Independent States to disseminate new and improved land tenure tools and to foster the exchange of best practices. Results to date have been very encouraging: more than 10 countries in Africa and countries such as Brazil and the Philippines have adopted innovative approaches.

Water and Sanitation Trust Fund

36. UN-Habitat continues to take the lead in packaging capacity-building technical assistance with domestic and international finance to support efforts by Member States in attaining target 10 of Millennium Development Goal 7 on water and

related sanitation. That approach is currently being implemented in partnership with the African Development Bank and the Asian Development Bank, with the support of bilateral donors in 18 countries in Africa and Asia, and with the Water and Sanitation Trust Fund. A major outcome of the approach is the reduction in the gap between capacity-building technical assistance and going to scale processes. Aid efficiency is also greatly enhanced because political will in implementing institutional, legal and policy reforms and good governance are matched with fast-track grants and capital investment loans, resulting in timely and tangible improvements in access to water and sanitation by the urban poor. Following the previously reported agreement in 2005 between UN-Habitat and the Asian Development Bank involving $500 million for pro-poor water and sanitation investments in Asian cities, a similar agreement was signed in 2006 with the African Development Bank to support fast-track investments in pro-poor gender-sensitive water and sanitation amounting to $540 million, bringing the total amount of follow-up investment to more than $1 billion in Asia and Africa.

37. The Water for African Cities programme is the first comprehensive initiative devised to help African countries to effectively manage the growing urban water and sanitation crisis and protect the continent's threatened water resources and aquatic ecosystems from the increasing volume of land-based pollution from cities. The programme is currently being implemented in 17 cities in 14 countries. A major focus of the programme is on investment follow-up. UN-Habitat and the African Development Bank signed a memorandum of understanding in 2006 to work together to facilitate safe water supply and sanitation in African cities and small urban centres through, inter alia, grants to the value of approximately $217 million over the next five years. It is expected that this will lead to additional opportunities for follow-up fast-track loans from the African Development Bank of approximately $362 million in pro-poor urban development. The memorandum also provides for the two organizations to prepare proposals for investment in water and sanitation schemes in poverty reduction strategy papers and the United Nations Development Assistance Framework.

38. The Water for Asian Cities programme represents a collaborative initiative between UN-Habitat and the Asian Development Bank. It addresses pro-poor urban water governance, urban water demand management, integrated urban environmental sanitation, and income generation for the urban poor through community-based water and sanitation services. The programme is currently engaged in providing pro-poor water and sanitation in China, India, the Lao People's Democratic Republic and Nepal with investments totalling over $280 million.

39. UN-Habitat has embarked on a comprehensive initiative to attain target 10 of Millennium Development Goal 7 within the next four to five years in the Lake Victoria transboundary ecosystem, which is shared by Kenya, Uganda and the United Republic of Tanzania. The initiative mobilizes investment to support pro-poor water, sanitation, solid-waste management and infrastructure in 15 secondary urban centres, affecting the living conditions, health and nutrition of 595,000 people, and to reduce the environmental impact of urbanization in the Lake Victoria basin. The initiative is adopting a phased approach by separating investment into immediate and long-term interventions. This approach will allow for quick-impact actions to improve water and sanitation provision while longer-term investments are

planned. It represents a new and replicable model for attaining the Millennium Development Goals in small urban centres.

40. The Mekong Water and Sanitation Initiative aims to improve the living conditions of the urban poor in this rapidly growing economic corridor. The Initiative intends to expedite pro-poor water and sanitation investments in secondary towns; enhance institutional and human resource capacities at local and regional levels; engage in sector reforms; strengthen the capacities of the local private sector in service delivery; reduce the environmental impact of urbanization at the local level; and support economic development in secondary towns through improved water and sanitation and related income-generating activities. The countries of the Mekong region participating in the Initiative are Cambodia, the Lao People's Democratic Republic, Viet Nam and China. Since 2005, three or four towns have been selected in each country for rapid technical and institutional assessment. These assessments have led to start-up investments in water and sanitation involving $50 million for small and medium towns in the region.

C. Assistance to countries affected by natural and human-made disasters

41. UN-Habitat continued to respond to humanitarian and crisis situations by supporting Governments, local authorities and civil society in strengthening their capacity to recover from human-made and natural disasters in the human settlements sector, and to develop prevention and reconstruction programmes. The lessons learned from the tsunami, the earthquakes in Pakistan and Indonesia and other recent recovery operations have provided a basis from which to review and deepen the integrated approach to shelter and land use planning, the restoration of livelihoods, land and property rights, for a more effective transition from emergency relief to longer-term recovery. This approach combines the resources, knowledge and expertise of UN-Habitat in the areas of secure tenure, urban governance, training and capacity-building, gender equality and human settlements finance to deliver a consolidated response to assessment, recovery and reconstruction. Such a strategic focus has led UN-Habitat to play an increasingly significant role in the humanitarian community in the mainstreaming of the issues of shelter, disaster risk reduction and land and property as part of the humanitarian response. It is also a means of reconciling that response with the Habitat Agenda and the Millennium Development Goals.

42. Recognizing the growing role of the Programme in support of settlements in crisis, at its twentieth session, the Governing Council assigned UN-Habitat the tasks of further elaborating its guiding principles and of preparing a strategic policy in consultation with its partners, such as the Inter-Agency Secretariat of the United Nations International Strategy for Disaster Reduction, the Office of the United Nations High Commissioner for Refugees, the Office for the Coordination of Humanitarian Affairs and its Inter-Agency Internal Displacement Division, for consideration at its twenty-first session.[2] Broad consultations with partners were held at the third session of the World Urban Forum in June 2006. Both the guiding principles and the strategic policy are being drafted for the consideration and review of the Committee of Permanent Representatives of UN-Habitat in September 2006

[2] See HSP/GC/20/5.

in anticipation of further consideration and adoption by the Governing Council in April 2007.

43. Through its active participation in the working groups of the Inter-Agency Standing Committee, UN-Habitat contributed to the design of a new cluster approach for the Humanitarian Response Review. As a result, UN-Habitat accepted the role of focal point for shelter, land and property in close cooperation with lead agencies in the Protection cluster and the Early Recovery cluster. This engagement is based on the unique mandate of UN-Habitat for addressing issues of shelter and human settlements in both crisis and in development.

44. Close involvement in the Executive Committee on Humanitarian Affairs and Inter-Agency Standing Committee working groups are important developments for UN-Habitat. Increased inter-agency collaboration has raised its credibility and profile in global disaster management forums. UN-Habitat has therefore assumed a more central role and responsibility in strengthening the collective response of the United Nations to shelter, land and property challenges in post-disaster situations. UN-Habitat has supported communities and authorities in crisis in over 20 countries in Africa, Asia and Eastern Europe through a diverse range of projects; focusing on strengthening local capacities, reconstructing communities; assisting in property restitution and land administration, conducting vulnerability and needs assessments, and integrating risk reduction elements as part of sustainable recovery and development.

45. UN-Habitat played a significant role in programmes for housing rehabilitation and reconstruction following the Asian tsunami and the earthquake in Pakistan. In Afghanistan, UN-Habitat continues to provide support to the Government in its urban and rural rehabilitation programmes. Similarly, UN-Habitat collaborates with UNDP and other United Nations organizations in the formulation of post-disaster rehabilitation and reconstruction programmes in Central America and Haiti. Joint activities are conducted with the International Development Research Centre, Canada, to prepare risk assessment and vulnerability reduction plans for Central America.

46. UN-Habitat is also implementing the Urban and Housing Rehabilitation Programme in Iraq, financed to the amount of $36 million in 2005 by the Iraq Trust Fund of the United Nations Development Group. Between 2004 and 2006, eight specific projects were completed as part of that programme, several of them with the support of the Government of Japan.

47. At the inter-agency level, UN-Habitat works closely with the United Nations Development Group, the Executive Committee on Economic and Social Affairs and the Executive Committee on Humanitarian Affairs in mainstreaming a more sustainable approach to shelter, land and property rights and overall sustainable urbanization.

IV. Fourteenth session of the Commission on Sustainable Development

48. UN-Habitat worked closely with the Division for Sustainable Development of the Department of Economic and Social Affairs of the Secretariat and other bodies in the organization of the fourteenth session of the Commission on Sustainable

Development, held in New York in May 2006. The session reviewed progress in the commitments under the Plan of Implementation of the World Summit on Sustainable Development; in energy for sustainable development; industrial development; air pollution/atmosphere; and climate change. UN-Habitat organized side events, discussed lessons from best practices, prepared exhibitions and made substantive contributions in the meetings.

49. An attempt was made to better quantify and categorize mobility barriers and needs in informal settlements for access to affordable energy services and to derive indicators for comparing mobility and energy-related pro-poor investments in informal settlements and develop recommendations on policy implications of transport/energy provision in cities in developing countries.

50. The plight of slum-dwellers is that their homes are not legally recognized as houses. Without some form of de jure or de facto recognition, utilities are reluctant to provide their services, perpetuating a vicious cycle of poverty, low economic productivity, and missed opportunities for developing a robust energy industry. Security of tenure for the urban poor must be seen as a key entry point for providing equitable access to affordable, clean and safe energy for the poor in the policy discussions of the fifteenth session of the Commission on Sustainable Development, to be held in New York in 2007. Energy should no longer be considered a sectoral concern, but rather a driving force for more sustainable and socially just development.

V. Financial and budgetary matters

51. Voluntary contributions to the United Nations Habitat and Human Settlements Foundation continued to rise, increasing by 44 per cent from $32.7 million in 2004 to $47.1 million in 2005. Although non-earmarked contributions remained at the same level of $10.5 million, there was a significant increase in earmarked contributions, which rose from $22.2 million in 2004 to $36.6 million in 2005.

52. Although earmarked contributions are a welcome complement to non-earmarked contributions, the rising imbalance between earmarked and non-earmarked contributions remains a major challenge to the Programme and affects its ability to engage in strategic planning and results-based management in a predictable manner.

53. UN-Habitat has fully embraced and used results-based budgeting in preparing its biennial work programme and budget based on the three sources of funding, namely, regular budget, voluntary contributions to the Foundation and funding received towards technical cooperation activities. However, a prioritized, focused and optimal programme delivery can be achieved only through increased (a) regular budget support; (b) non-earmarked contributions to the Foundation; and (c) soft-earmarked funding around the major thematic priorities of the work programme.

54. To that effect, both the Government of Norway and that of the United Kingdom initiated multi-year non-earmarked agreements aimed at strengthening the financial base of the Programme. The Programme has embarked on an enhanced donor mobilization strategy to widen its donor base and to encourage increased non-earmarked contributions.

55. The increase in earmarked contributions is attributed mainly to multi-year agreements signed with the Governments of Canada, the Netherlands, Norway and Sweden, totalling approximately $50 million towards the Water and Sanitation Trust Fund. Of that amount, $26.5 million has been recorded in actual receipts. In addition, over $1 billion was leveraged in matching grants and loans towards improving water and sanitation in informal settlements in over 30 cities in Africa and Asia. Furthermore, the Government of the United Kingdom has made a pledge of $10 million towards the Slum Upgrading Facility. In 2006, the Government of Norway also signed a multi-year agreement to provide soft earmarked funding to help achieve the slum upgrading targets of the Millennium Declaration, and in support of national policies on shelter, strategies and plans designed to improve the lives of youth and gender equality, with a special focus on least developed countries. UN-Habitat is encouraging other donors to follow suit.

56. Contributions towards technical cooperation activities at the country level increased from $52.5 million in 2004 to $64.4 million in 2005, which represented 71 per cent of the total contributions received by the Programme. The contributions were mainly in support of the tsunami-affected countries (Indonesia, Maldives, Somalia and Sri Lanka) and towards reconstruction and disaster mitigation activities in Afghanistan, Iraq, Serbia and Somalia. Efforts to mobilize additional financial resources towards the full capitalization of $5 million for the Special Human Settlements Programme for the Palestinian People in the occupied territories are continuing, although at a slow pace.

57. UN-Habitat received only one of the five additional posts that were originally requested from the regular budget to support the programme of work for the biennium 2006-2007. The approval of the four posts is critical to the effectiveness of the Programme in backstopping country-level initiatives to attain the goals of the Millennium Declaration and the Johannesburg Plan of Implementation at the national and regional levels.

58. The Secretary-General has promulgated the special annex for the United Nations Habitat and Human Settlements Foundation to the Financial Regulations and Rules of the United Nations, which came into force on 1 August 2006. On the basis of the financial rules for the Foundation, the Executive Director of UN-Habitat will launch, as a first step, the lending operations of the Foundation using the voluntary contributions of Governments and other public and private entities. The Executive Director will also present to the Governing Council, at its twenty-first session in 2007, a number of policy recommendations, including the establishment by the Council of an executive board for the Foundation and a set of operational procedures and guidelines to govern its operation.

VI. Lessons learned and recommendations

Lessons learned

59. The recent findings reported by UN-Habitat in 2006 show that the rate of slum growth is almost equal to the rate of urban growth in many rapidly urbanizing regions and countries. They also show that slum-dwellers, far from benefiting from their urban status, are just as if not more deprived than their rural counterparts in terms of poor health, nutrition, education, HIV/AIDS and other diseases. Both findings pointed to the need for bold and urgent responses at the national level.

While many Governments have adopted a range of human settlements policies and programmes since the outcome of the second United Nations Conference on Human Settlements in 1996, these policies and programmes have yet to have a significant impact on urban poverty and slum growth. The consequences are that more than half of the population targeted by the Millennium Development Goals today lives in cities, and most of them in slums.

60. The struggle to provide safe water and basic sanitation and to attain the Millennium Development Goals will require a much more integrated approach that deals with the growing crisis of rapid and unplanned urbanization and recognizes the important role of local authorities in planning and mobilizing investments in housing, urban infrastructure and basic services.

61. The lessons learned from countries that are making progress in slum upgrading and slum prevention show that the situation can be redressed through concerted programmes on slum upgrading and prevention, as an integral part of national poverty reduction strategies and development frameworks. They furthermore show that results can be achieved and sustained by leveraging national budgetary allocations with domestic capital and using international finance as seed capital. Last but not least, they provide ample evidence that focused interventions in slum upgrading, such as the improvement of water and sanitation, can lead to immediate and longer-term benefits in terms of overall social and economic development.

62. On the development front, pro-poor housing, infrastructure and services are essential to meeting basic needs and constitute key components for social and economic development. In terms of the environmental agenda, well-planned and managed human settlements are critical to reducing the ecological footprint of human activity, reducing pollution and promoting the sustainable use of natural resources. Sustainable post-disaster and post-conflict reconstruction and rehabilitation are contingent upon the restoration of land and property rights, key determinants of peacebuilding and the sustainable restoration of livelihoods.

Recommendations

63. **Governments are encouraged to accord the highest priority to integrating slum upgrading and slum prevention into national development strategies and poverty reduction strategy papers for attaining the Millennium Development Goals.**

64. **Governments are encouraged to support the normative and capacity-building activities of UN-Habitat at the country level by working together with Habitat Programme Managers to promote slum upgrading, affordable shelter and housing finance and sustainable urbanization as an integral part of their respective common country assessments, country assistance strategies and the overall scope of work of the United Nations Development Assistance Framework.**

65. **Governments are encouraged to work closely with UN-Habitat to assess and monitor trends in slum formation, urban poverty and urban deprivation as a basis for informing and adopting pro-poor gender-sensitive urban policies and strategies to improve the living conditions of slum-dwellers in accordance with Millennium Development Goal 7, targets 10 and 11.**

66. **Governments in a position to do so are encouraged to increase non-earmarked and predictable funding and regular budget resources in order to facilitate the implementation of the Habitat Agenda; the Declaration on Cities and Other Human Settlements in the New Millennium; targets 10 and 11 of Millennium Development Goal 7, calling for the reduction by half of the proportion of people without sustainable access to safe drinking water by 2015 and the achievement of a significant improvement in the lives of at least 100 million slum-dwellers by 2020; and paragraph 56 (m) of the 2005 World Summit Outcome, in which the General Assembly recognizes the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading, and encourages support for the United Nations Habitat and Human Settlements Foundation and its Slum Upgrading Facility.**

67. **Governments in a position to do so, financial institutions and other public and private entities are encouraged to contribute to the capitalization of the United Nations Habitat and Human Settlements Foundation as an effective means of providing financial and seed-capital support to slum upgrading, slum prevention and pro-poor water and sanitation in urban areas.**

68. **Provision of secure tenure to the urban poor as the condition sine qua non for slum upgrading, and the provision of clean water and improved sanitation must be seen as key entry points for providing equitable access to affordable, clean and safe energy for the poor in the policy discussions at the fifteenth session of the Commission on Sustainable Development. Energy should be considered a driving force for more sustainable and socially just development.**